



A STUDY ON EVERGREEN HEALTHCARE PRODUCT ONLINE STORE
IN CHINA

BY
JINGJING ZHANG

AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENT FOR THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION (INTERNATIONAL PROGRAM)
SOUTHEAST ASIA UNIVERSITY
ACADEMIC YEAR 2022
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in China

Author Jingjing Zhang

Program Master of Business Administration (International Program)

Advisor(s) Pavinee Na Srito, Ph.D.

Graduate School, Southeast Asia University, was approved as partial fulfillment of the requirements for the degree of Master of Business Administration. (International Program)

..... Dean, Graduate School

(Puttithorn Jirayus, Ph.D.)

.....Director, Master of Business Administration

(Assoc.Prof. Napaporn Khantanapha, Ph.D.) (International Program)

Independent Study Committees

..... Chairman, Independent Study Committees

(Supot Rattanapun, Ph.D.)

..... Committee

(Assoc.Prof. Napaporn Khantanapha, Ph.D.)

..... Advisor

(Pavinee Na Srito, Ph.D.)

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Abstract

This research aims to study Evergreen Healthcare Product Online Store in China. This study was qualitative methodology via in-depth interview, and content analysis. This study found that: 1) Market Segmentation were women, young mothers, who have experienced pregnancy, have a high demand for natural and original skin care products and hope that the products will not have too many chemical additives, D Cosmetics made a market positioning strategy centered on product quality as the basic basis of market positioning for providing high quality products to customers. Product strategy only good quality and a wide range of products can meet today's increasingly complex market needs. 2) Management plan combine the performance appraisal of sales staff with the goals planned to be achieved in the sales strategy, regulate the sales behavior of sales staff, implement a series of tasks around the goal of sales development, Production plan to stabilize the team, attract talents, strengthen R&D, and sustain publicity, all business activities are inseparable from a strong financial, Operation Plan establish information files of its own channels, but also collect as much detailed information of potential channels as possible, so that the information system can become a help for the whole company to carry out marketing activities and can effectively improve sales efficiency. Project 5 year's cash flow statement of D Cosmetics were First investment 2 million Yuan, Payback period in 3 years and 2.8 months, NPV = 5,189,516 Yuan, IRR = 21 %, and ROI average per year = 57.14%

Keywords: Marketing Strategies Chinese Cosmetic Brands

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Section 1

Introduction

1.1 Company Description

1.1.1 Company Profile

Evergreen Healthcare Products online Store (www.evergreenhealth.com) is a online



B2C store that directly sells health-care products to consumers. We offer a variety of products contributing to the management and solution of metabolism, immunity and nutrition. All our products are under various recognized and well-known brand names.

We started running our online store in March, 2020 on the platform of Taobao, and over the past 3 years, we have got an estimated web sales of RMB1,360,000, and attracted a monthly unique visitor traffic 50,000 visitors.

1.1.2 Why We Choose This Business and the Proposed Business Plan

Nowadays, the modern pace of life causes people to live and work in a stressful status, which induces many health problems such as anxiety, tension, sleeplessness, nervousness, and, in the long run, results in chronic health problems and affect people's immunity. We have discovered that, plenty of people have various health problems in this stressful and dynamic modern society and they need comprehensive and quality health care.

The healthcare product industry will continue to grow because taking healthcare diet and other supplements has become a way of life for the ever-growing health conscious and aging population of the society. With our business is thriving and due to these factors, we are encouraged and plan to start our own bricks and mortar healthcare diet and supplement store, including running both online and offline marketing and sale. Our long-term goal could be that we first expand our business in

China, and further extend to international market. Due to this plan and prospect, here we're making a study on our business and looking for investment for the startup of our new business.

1.2 Current Situation Analysis

1.2.1 SWOT Analysis of Evergreen Healthcare Products Online Store



Strengths

- S1. Famous international and high-quality products that effectively deal with health problems and improve immunity;
- S2. Systematical customer service by hiring well-experience doctors and health experts for answering health problem questions, offering effective health plan and prescribing correct products;
- S3. Abundant information about knowledge, communication and solutions of health problems, including health news, discussion groups, expert's classroom, etc.
- S4. Online sale prices are lower than those of the counterpart or equivalent products that are sold in marketplace;

Weakness

- W1. Delivery or lead time of foreign products will be longer due to importation and customs procedures and shipment periods;
- W2. At the start-up stage, doctors and experts will be hired externally, who may not be available full time;

W3. Due to the unpredictability of potential demands and inquiries at the initiating stage, the number of CSRs hired may be insufficient and questions might not be answered punctually, which could lead to backlog;

W4. Website technology such as navigation easiness, payment transaction are still not perfect which need to be complemented and improved;

Opportunities

O1. With China's entry to WTO, more and more foreign products are introduced into China market and Chinese legal system provides easier and quicker procedures and processes for them to enter;

O2. China is transforming to a powerful economy with people's income ever-increasing, it has become more and more affordable for Chinese people to consume foreign products and high-value or high-performance products which are relatively and usually more expensive;

O3. Economical development leads the society to be more hypercompetitive that people are getting more stressful under work and life pressure, population who needs health care becomes substantially larger;

Threats

T1. Socioculturally, a pretty plenty of Chinese people still believe that Chinese medicine, or herbal medicine, deals with the cause of disease while western medicine only deals with the symptom. Such ideology might have negative influence on the sales of the foreign products, which are one section of our product scope;

T2. More and more foreign medicines and health-care products enter China market by either exporting or setting up pharmaceutical joint ventures in China, competition becomes more intensive and dynamic;

T3. Technologically, E-commerce business is comparatively more vulnerable, with high risk of fraud and damage. Hackers can break into credit card database and steal customers' numbers, as well as closing down websites;

T4. Foreign products are under the risk of restriction if political conflicts happen between this country and China;

Strategy of SWOT Matrix

	Strengths	Weaknesses
Opportunities	<p>S1+O2 Higher income affords high-value and expensive products, which establishes brand awareness and realizes market penetration;</p> <p>S1+S2+O3 Effective products and services establish customer loyalty;</p>	<p>O1+W1 Take advantage of more open legal system to facilitate and shorten process time;</p> <p>O2+O3+W2+W3 Endeavor to exploit the great demand and the higher and higher affordability to expand business quickly, that would enable the company to hire more staff and experts</p>
Threats	<p>S1+S2+T1 High-value products and correct prescription convince customers that western medicines are also effective;</p> <p>S3+T2 Information tells customers the advantage and effectiveness of our products over those of the competitors;</p> <p>S4+T3 Lower online purchase prices can attract consumers against the shortcoming of online purchasing risk</p>	<p>W4+T3 Improvement of website technology also reduces various attacks and risks.</p>

1.2.2 5 Forces Model

1.2.2.1 Competition in the industry

The larger the number of competitors, along with the number of equivalent products and services they offer, the lesser the power of a company.

Suppliers and buyers seek out a company's competition if they are able to offer a better deal or lower prices. Conversely, when competitive rivalry is low, a company has greater power to charge higher prices and set the terms of deals to achieve higher sales and profits.

We categorize our **direct competitors** as following:

E-businesses:



www. BJP99. com, www. Herbalife.cn , www.onlly.cn are online firms who sell various health-care products.

Bricks and mortar businesses



A recent study conducted on the industry reveals that the market has become much more intensely competitive over the last decade. As a matter of fact, we have to be highly creative, customer centric and proactive to survive in this industry. We are aware of the stiff competition and we are prepared to compete favorably with other leading stores in and around our area.

Evergreen is launching a standard healthcare diet and supplement products retail store that will indeed become the preferred choice of people. Our healthcare diet and supplements store is located in a corner piece property on a busy road directly opposite one of the largest residential estates in our city.

One thing is certain, we will ensure that we have a wide range of healthcare diet and supplements in our store at all times. It will be difficult for customers to visit and not see the types of diet and supplements that they are looking for. One of our business goals is to make Evergreen a one-stop healthcare diet and supplements shop.

Our excellent customer service culture, online store, various payment options and highly secured facility will serve as a competitive advantage for clients.

Lastly, our employees will be well taken care of, and their welfare package will be among the best within our category in the industry meaning that they will be more than willing to build the business with us and help deliver our set goals and achieve all our objectives. We will also give good working conditions and commissions to freelance sales agents that we will recruit from time to time.

1.2.2.2 Potential of new entrants into the industry

An industry with strong barriers to entry is ideal for existing companies within that industry since the company would be able to charge higher prices and negotiate better terms. On the whole, the overall competition pattern of China's healthcare industry is relatively scattered. The main reasons are as follows:

- 1) Due to historical regulatory policies, in the past long period, the entry threshold of the industry is lower, the registration and approval time is shorter than that of drugs, the difficulty of clinical trials is lower than that of drugs, and the industry profit margin is higher than that of other food industries, thus attracting a large number of food manufacturers to enter.

2) In the past, the qualification management of "Blue Hat" was not strict, and a large number of low-quality healthcare products enterprises entered the market.

Conclusively we might face the potential of new entrants into the industry, and therefore we need to keep improving the capacities of ourselves, as a company's power is also affected by the force of new entrants into its market. The less time and money it costs for a competitor to enter a company's market and be an effective competitor, the more an established company's position could be significantly weakened.

1.2.2.3 Power of suppliers

Now let's address the factor how easily suppliers can drive up the cost of inputs. It is affected by the number of suppliers of key inputs of a good or service, how unique these inputs are, and how much it would cost a company to switch to another supplier. The fewer suppliers to an industry, the more a company would depend on a supplier.

As a result, the supplier has more power and can drive up input costs and push for other advantages in trade. On the other hand, when there are many suppliers or low switching costs between rival suppliers, a company can keep its input costs lower and enhance its profits.

We ourselves are a supplier in this industry, while we ourselves also have our various suppliers and resources, and we should identify our resources or assets that can be successfully leveraged into our business.

Upstream Resources As we mention in the executive summary, for some of our foreign products, we are the first mover to introduce it into Chinese market. Therefore, our foreign suppliers will do their best to facilitate all the procedures concerning the delivery, service and support for the products and our business.

Internal Resources As we mentioned in the SWOT analysis, we hire well-experience doctors and health experts for answering health problem questions, offering effective health plan and prescribing correct products. These are very efficient resources that can effectively bring substantial traffics to our business.

Customer-facing Resources Our products are famous brands that come from both foreign manufacturers and domestic manufacturers. These products have been tested and used in foreign and domestic markets and proved to be pretty effective. Besides the actual quality, the successful brand image will be a strong resource to convince customers.

1.2.2.4 Power of customers

The ability that customers have to drive prices lower or their level of power is also one of the Five Forces. It is affected by how many buyers or customers a company has, how significant each customer is, and how much it would cost a company to find new customers or markets for its output.

A smaller and more powerful client base means that each customer has more power to negotiate for lower prices and better deals. A company that has many, smaller, independent customers will have an easier time charging higher prices to increase profitability. We obviously in this industry have smaller and independent clients of large number, as we are in B2C business of selling consuming products of healthcare diet and supplements that the whole population can be our buyers, rather than B2B business such as selling industrial or manufacturing equipment to factories or corporations.

1.2.2.5 Threat of substitute products

Substitute goods or services that can be used in place of a company's products or services pose a threat. Companies that produce goods or services for which there are no close substitutes will have more power to increase prices and lock in favorable terms. When close substitutes are available, customers will have the option to forgo buying a company's product, and a company's power can be weakened.

Understanding the Five Forces and how they apply to an industry, can enable a company to adjust its business strategy to better use its resources to generate higher earnings for its investors. In the above section of Competition in the Industry, we just analyzed our direct competitors, and now we're analyzing our **indirect competitors**, as indirect competitors refer to those who sell substitute products.

Competitors of substitute products Kerbiday is company that manufactures and sells gene products, which is substitute to our offerings;

Adjacent competitors www.1hok.com is the site of Lianhua Supermarket that sells various commodities online. Currently they do not offer medicines and health care products, but they have been planning to enter this market of selling healthcare products.

1.2.3 PESTEL Analysis

This detailed PESTEL analysis of the healthcare diet and supplement (retail) industry examines how the industry is affected by macro factors globally and domestically, with special references to the some real situations in China. Healthcare diet and supplement industry is one of the leading industries of food and medicine in China and a significant contributor to the GDP.

The healthcare diet and supplement industry is a large and complex one, with a variety of different players involved. It includes everything from large supermarkets to small convenience stores. The industry is highly competitive, with stores competing on price, variety, and convenience.

1.2.3.1 Political factors that impact on the healthcare diet and supplement(retail) industry

Both global and domestic political stability is essential for the healthcare diet and supplement industry to thrive. Besides small or startup retailers of healthcare diet and supplement like us, even many of the top retailers also work with both domestic and international suppliers. If there is any problem with the international suppliers, it will have some kind of impact on the retailers. The imported healthcare diet and supplement products we sell are mostly from Europe and America, and these regions are normally the ones with good political stability, which is favorable. The concern is just the stability of their relationship with China, and from the long run, it has been stable.

Demonstrations in many countries are not uncommon. News report that protests have been seen against some global retail giants in some countries. But in

China, demonstrations hardly happen, so we believe it's a favorable condition here in our country.

1.2.3.2 Economic factors that impact on the healthcare diet and supplement(retail) industry

Economic circumstances impact on the healthcare diet and supplement industry directly. People with jobs and disposable income are likely to spend more on healthcare diet and supplement than those with financial limitations. Likewise, supermarkets cater to the needs of different customers differently.

Basic and value products are for people with financial limitations, whereas premium products are for those who have no financial worries. We sell products of different brands that have different classes of quality so that we cater to the needs of both budget-constrained customers and up market customers.

High inflation also can affect the healthcare diet and supplement industry badly. Due to high prices, and cost of living crisis, many customers may struggle to purchase the products they need which result in less sales for the supermarkets. In China, for many years commodity prices have been stable so that inflation should not be an issue.

High property rent, local authority fees, and tax rates increase the operating costs of the supermarkets which in turn increase the selling prices of the products. Last few years were difficult from many economies in the world; however, things are expected to get better in coming years which is a very good news for the healthcare diet and supplement industry. Specifically in China,

1.2.3.3 Social factors that impact on the healthcare diet and supplement (retail) industry

Exploring social factors is the next stage in the PESTEL analysis of the healthcare diet and supplement (retail) industry. Consumers have developed online shopping behaviour in the past several years. In response, many retailers have introduced online shopping and home delivery systems. And that's why for our company, we emphasize the online marketing very much.

News also report that many retailers in China, and many other countries now cater for products that address the needs of people with different ethnic backgrounds. For our healthcare diet and supplement products, it can also have something to do with ethnic customs and we do address this need and characteristic. Similarly, demand for vegetarian and vegan products is also increasing rapidly offering good opportunities for the retailers to seize. Consequently, many companies are responding by offering more of these products. This trend is being driven by the growing popularity of plant-based diets and healthy living. Consumers are increasingly focused on health and wellness, and this is having a major impact on the healthcare diet and supplement industry.

1.2.3.4 Technological factors that impact on the healthcare diet and supplement (retail) industry.

We understand that technology has dramatically changed the ways supermarkets operate. Human-served checkouts have been replaced with automated machines. Nowadays most retailers have electronic loyalty cards and inventories have long been computerized. They also use social media to promote their products. Automation is becoming increasingly common in the retail industry, as companies look to reduce costs and improve efficiency. It can be used for a variety of tasks, from stocking shelves to taking orders. This technology is becoming increasingly advanced, with the ability to automatically sort and stock products.

In addition, artificial intelligence (AI) is also becoming increasingly popular in the retail industry, as companies look to improve customer service. AI can be used for a variety of tasks, such as predicting customer demand and helping stores optimize their inventory. It can also be used to analyse customer data and make personalized recommendations.

For Online shopping, it has been one of the biggest trends impacting the retail industry. Many stores are increasingly offering online ordering and delivery services, making it easier than ever for customers to shop from the comfort of their own homes. This trend is particularly popular among busy people who do not have the time to go to a store.

However, one of the challenges for the retailers is the lack of skilled IT staff at physical retail locations. Similarly, loss of data and cyber insecurity can turn out to be challenging as well.

In our operation plan, we talk about our plans and methods regarding both online and offline technologies we'll use, and we believe that we are able to properly use technologies to make our operation smoothly.

1.2.3.5 Environmental factors that impact on healthcare diet and supplement (retail) industry

Consumers are also increasingly concerned about the environment, and this is driving the demand for more sustainable products. We are responding by offering more sustainable options, such as organic produce and locally sourced products. This trend is also being driven by the growing popularity of environmentalism.

Operations of our healthcare diet and supplement have impact upon the environment. For instance, the product packaging is directly responsible for several environmental problems such as pollution, and overcrowded landfills.

Waste is a major environmental issue in the industry, healthcare diet and supplement products like us may generate a large amount of it. This includes everything from packaging to the waste. We will take steps to reduce their waste, such as our suppliers will use more sustainable packaging and implementing waste reduction programs.

1.2.3.6 Legal factors that impact on the grocery and supermarket (retail) industry

Exploring the legal environment is the last component in the PESTEL analysis of the healthcare diet and supplement(retail) industry. This industry is also highly regulated, with laws and regulations in place to ensure that the products are safe and that customers are treated fairly. This means that we must adhere to certain standards in order to stay in business.

Consumer protection is a major legal issue in the industry, as it is essential to ensure that customers are treated fairly. We must adhere to a variety of consumer protection laws, such as truth in advertising laws. Failure to comply with these laws

can result in severe penalties.

Healthcare diet and supplement product safety is one of the most important legal issues in the industry, as it is essential to ensure that customers are receiving safe and healthy diet and supplement. We must adhere to a variety of food safety regulations, such as proper storage and handling of food. Failure to comply with these regulations can result in severe penalties.

1.2.3.7 Summary of PESTEL analysis of the healthcare diet and supplement (retail) industry

It is essential for us to understand this industry and what is driving it, in order to stay competitive. From online shopping to health and wellness trends, technology, legal issues, and environmental concerns, we are constantly evolving and adapting to changing consumer preferences.

We must also stay up to date with the latest trends and technologies in order to remain competitive and must also ensure that we are compliant with the law and taking steps to reduce their environmental impact. By staying informed and taking action, we can ensure that we remain competitive and successful in the industry.

1.3 Feasibility Analysis

1.3.1 Product & Service

Evergreen Healthcare Product Online Store is in the healthcare diet and supplements industry to establish a retail store and will make available a wide range of healthcare diet and supplement products in China, which are supplied by both foreign and domestic manufacturers. We also offer services of healthcare-related consultation and information.

Products

Major Healthcare diet and supplements

- Health meals;
- Metabolism boosters;
- Nutrition of heart health, immune solution;

Vitamins and Minerals

- Specialty dietary supplements
- Herbs and botanicals
- Protein powder
- Meal replacements and weight loss products
- Specialty and elite sports nutritionals

Services

- Health consultation and relevant product recommendation;
- Usage guidance of products;
- Health plan;



Information

- Health news;
- Discussion area for sharing experience;
- Doctor and expert's classroom;
- Links to other relevant products;

1.3.2 Marketing

First of all we need to identify a clear picture of our market opportunity, summarizing as following:

- In our target market, there are affluent seekers of health-care products;
- To cope with this marketing opportunity, our value proposition is high-quality and effective products, as well as health consultation and plan that will effectively guide customers to find correct solution;
- We have both powerful upstream resources that are famous manufacturers and suppliers, and internal resources that we hire health experts for facing customers;
- By adopting advanced network technology and following trends, we can deliver value and satisfy customers' needs effectively and just-in-time;

- We build affiliation with other related sites to bring more traffics;
- The challenge is that we need to efficiently leverage all our resources to monetize opportunities;
- We would estimate the market opportunity magnitude as medium-large;

Second, let's also identify the following market opportunities and attractiveness in terms of negative, medium or positive factor;

- **Segment interaction** We have opened an online discussion area for visitors to communicate with each other and share information, however, it is expected to be improved concerning page design and attracting methods. We would estimate it as a medium factor;
- **Growth rate** According to relevant statistics, the annual growth of healthcare products market would be 30%, we would estimate as a medium-positive factor;
- **Market size** Not many people are perfectly healthy and most people have health care needs. We have defined our target market and, according to our competent resources, we are expecting to work on it successfully. We estimate it as a medium-positive factor;
- **Profitability** As we are a start-up company, even though we have basic competent resources, the profitability is supposed to be a medium-negative factor at the early stage;

Evergreen Healthcare Product Online Store has been in business to retail a wide range of healthcare diet and supplements to the residents and we are in the industry to maximize profits and we have ensured that we achieve our business goals and objectives. Over the past 3 years, we have generated our sales revenue of healthcare products via the platform of Taobao by RMB1,100,000 and the main marketing methods include ;

- **Livestreaming**, We use livestreaming to provide shopping guides, which can solve users' questions about products in real time. Livestreaming facilitates improving

the flow of merchants in various aspects, and promoting user growth and transformation, as well as enhancing loyalty of users and help businesses accumulate more users.

- **Video clips** This is an important form of content marketing. High-quality video clips can quickly capture and improve the opportunity of display, and also enable users to understand products more vividly, carry out scenario-based marketing of goods, improve users' sense of substitution, and improve users' consumption desire.

1.3.3 Organization

We first identify the resources that we have and can gain as the following categories:

1. Resources that we possess on our own

- Strong brand names licensed by suppliers
- Professional employees and consultation;

2. Resources that we can get from partners

- Multiple contact points as we put our information and banners on the affiliation companies or websites such as BBS of Baidu, Sohu, Sina, etc;
- Technical and information supports from suppliers;
- Experts and doctors hired from affiliate hospitals or related institutes;

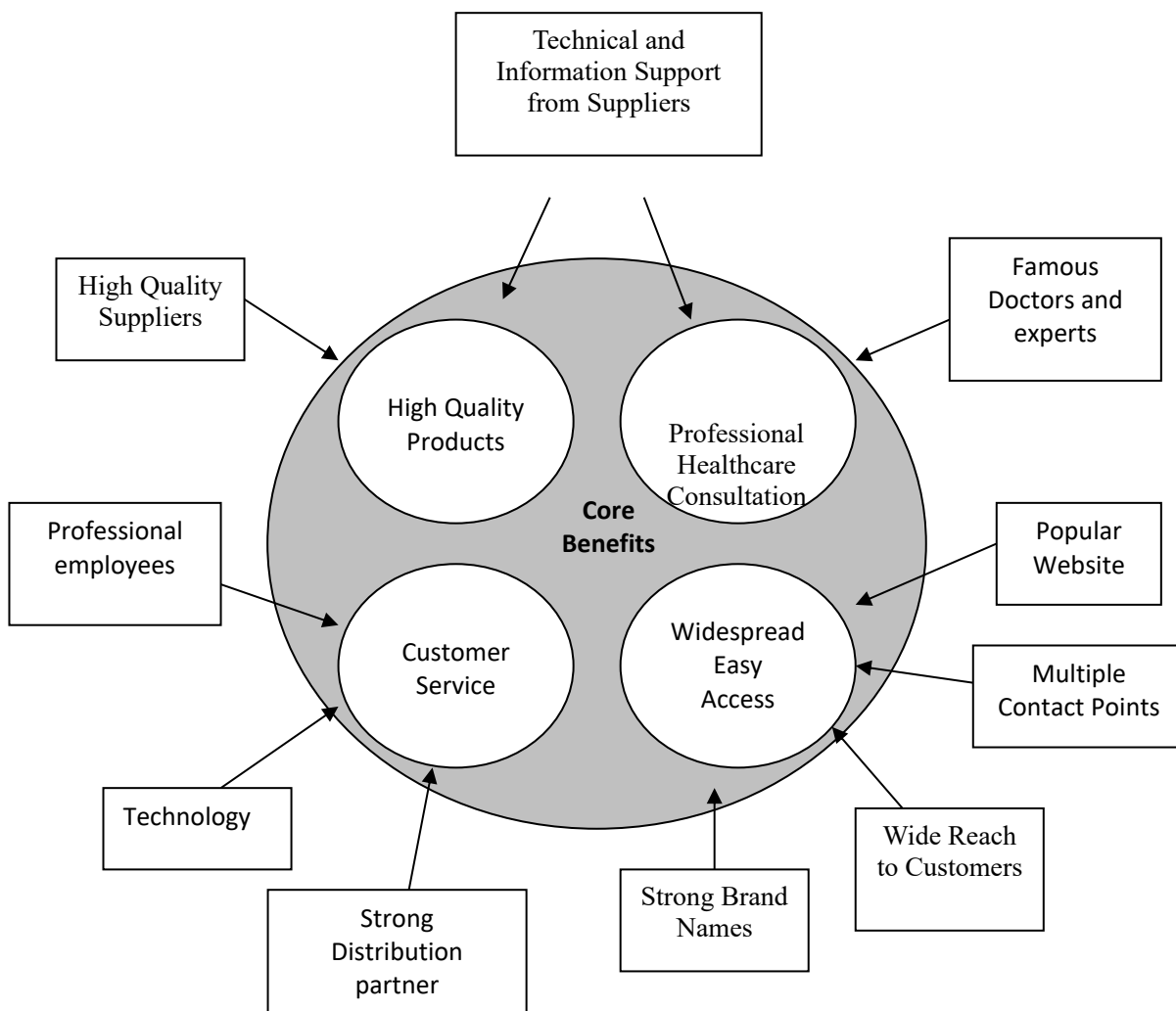
3. Resources that we can outsource

- Infrastructure and security technology we lease or buy from IT or Telecom companies;
- Transportation can be supported by logistic companies;

4. List of partners that we can complete resources

- Product suppliers: Johnson Pharmaceutical, Sanling Pharmaceutical;
- Affiliation portal sites: Baidu, Sohu, Sina;

- Affiliate hospitals and partners: Hangzhou No.1 Hospital, Hangzhou No.2 Hospital, DAH Medical Consultation;
- Logistic partners: Shentong Express
- IT supporters: Equifax



1.3.4 Finances

We have been able to examine the healthcare diet and supplements products store line of business and we have analyzed our chances in the industry and the following is the report of revenue that we generated over the past 3 years through the online store on Taobao.

- First Fiscal Year (FY1): \$350,000
- Second Fiscal Year (FY2): \$550,000
- Third Fiscal Year (FY3): \$950,000

We anticipate that our revenue will continue to increase by at least 5%, especially if we can get our business expanded by establishing our own bricks and mortar stores together with the our E-commerce business further grows. This projection is done based on what is obtainable in the industry. We also predict that there won't be any major economic meltdown and there won't be any major competitor offering same products and customer care services as we do within the same location. Please note that the above projection might be lower and at the same time it might be higher.

1.4 Objectives

1.4.1 Vision and Mission of Our Offline Business

Evergreen is to grow healthcare diet and supplements stores all over China and be the brand for quality healthcare diet and supplements products, a great crew, cool culture, and active community involvement. Our goal is to make available a wide range of healthcare diet and supplements to a wide range of customers.

We want to build a healthcare diet and supplements business that will become the leader in our line of business; we want to set up a one-stop healthcare diet and supplements store and also in the nearest future run a standard healthcare diet and supplements manufacturing plant.

1.4.2 Mission Statement of Our online Marketing

To build a window where people can find health care without going outdoors to buy, inquire and search.

Section 2

Marketing Plan and Strategy

2.1 Segmentation, Target & Positioning

2.1.1 Segmentation

Geographic target: We have now first established our office in Hangzhou and, as it is a start-up business at present, we focus our sales first in Hangzhou city and the surrounding areas, which are one of the most prosperous and developed areas in China, where transportation and internet access are fairly convenient.



Demographic target: people are those aged from 25 to 45, who mostly are intellectual workers that have comparatively higher stress and pressure than manual workers. As many of our products are high-value and expensive so that usually people whose monthly salary should be more than 5,000 RMB can afford it.

Psychographic target: People who are workaholic and aggressive are much easier and more frequently to get stressful than others and they are our major targeted people.

2.1.2 Target

Those who are the end consumer of healthcare diet and supplements are all encompassing. Everyone whether old or young, sick or healthy can consume healthcare diet and supplements. In essence a healthcare diet and supplements retail store should be able to sell its products to as many people as possible. In order to work well on the targets, we need to identify two issues first:

2.1.2.1 Identify Unmet and/or Underserved Customer Needs

To identify unmet and/or underserved customer needs, first we need to know who our customers are. As we have defined in our executive summary, our target customers are those who are seeking for health care and improvement, whose income

is relatively high. To satisfy their needs means that they will get feelings of pleasure resulting from that the product's perceived performance achieves their expectation.

Our customers mainly are not price-sensitive and their needs are to solve their health problems even if the products would cost higher than normal ones. Though there are a variety of health medicines or food in the nowadays market, many people still failed to get ideal products that effectively solve their problems. Therefore, our strategy is to satisfy their unmet needs by offering them good and effective products, health consultation and plans that can successfully solve their problems rather than selling low-quality and cheap products.

Customer's decision process is basically described as: problem recognition, information search, evaluation, purchase decision, satisfaction, loyalty. Our web site should be designed to help them get information, consultation and transaction easily, which, to some extent, is still an unmet need for customers.

2.1.2.2 Identify the Specific Customers We Will Pursue

In the executive summary, we have segmented markets geographically, demographically and psychographically. We have identified our target market. However, we should also distinguish who are the *must-have* customers and who are the *nice-to-have* customers, as we also define in our planning strategy that we are going to expand our business by related diversification, the *nice-to-have* customers might be the *must-have* customers in the future.

2.1.3 Positioning

We need to express our business differentiation and approaches of competition to demonstrate our positioning among other competitors in the same industry.

2.1.3.1 Business Differentiation

- Agent of famous foreign products that can not directly be sold to China market
- Free consumer sampling program enabling people to test the company's products before buying, only for VIP customers.
- Health consultation and plan

2.1.3.2 Approaches of Competition

Since our company sells high-value and high-quality healthcare products from beginning on and some of them are supplied by famous foreign manufacturers who can not directly sell in China, which is our value differentiation, therefore, the quality-oriented strategy would definitely be implemented to the end, instead of price-leader strategy.

Above all, according to our value proposition, we should position ourselves to be that the focal customer benefits will be the high-value products and high-quality service. This also conforms to our target market, which, demographically, are those high-income people who can afford relatively high purchasing prices.

2.1.3.3 Value Proposition

Targeted on stressful population, who are seeking for healthy well-being, we offer effective products and high-quality service, to meet their unmet needs and wants, through our professional consultation and prescription.



2.2 Analysis of 4P Model

2.2.1 Product and Promotion

The **7C Model**, which includes Context, Content, Cognitive Appeal, Community, Customization, Communication and Connection is the way to describe products and the approaches of promoting them, so we use these 7 elements of customer interface

to introduce about our products and promotion. As our major business is online marketing and sale, so basically the promotion is all about online ones.

2.2.1.1 Context

Our customer interface is the **hybrid of aesthetics and functionality**.

Function

Section breakdown In our site, we use a top-level tab structure that includes Search, Shopping Bag, Clearance, My account. Beneath this are product categories, including Women and Men; service, information, etc.

Linking structure We have healthcare products from different brands or manufacturers, so we divide them to be different sections by brands. For example, customers click Johnson Pharmaceutical, different products from Johnson Pharmaceutical will be displayed, and it is framed by the top-level tab structure. The linking structure keeps users from getting stranded and allows them to move easily between sections;

Navigation Tools We use two search functions (by price or health problem) to facilitate how the user moves through the site.

Speed We use straightforward design and limited use of complex graphics to reduce the time needed to display a page on the user's screen.

Reliability We apply necessary IT technology to ensure the minimization of site failure or downtime.

Aesthetics

Color scheme We use green color as our main tone because green represents health.

Visual themes Our business is offering healthcare products and service, so we choose images such as Red Cross, evergreen shrubs like ivy, etc. to symbol care, always young and energetic, etc.

2.2.1.2 Content

EvergreenHealth.com is a product-dominant site. The content should include text, images, video. We divide them to be three mixes:

Offering mix

Our offering is a mix of the products, service, information, of which we are of product-dominant. So the majority of our content is of products.

Appeal mix

As our value proposition is “targeted on stressful population, who are seeking for healthy well-being, we offer effective products and high-quality service, to meet their unmet needs and wants, through our professional consultation and prescription.” Our promotional message should be linked to this.

Cognitive appeal

Our welcome message is “ **health helps you save money** ”. This indicates that, it is not that for health you need to spend money, but when you possess health by using our product, it helps you work more successfully.

- **Emotional appeal** We use stories told by customers who once used our products and successfully recover or improve health, to demonstrate the effectiveness of our PSI.
- **Media Mix** We use digital matters to show our content:
- **Text** We put on site the product and manufacturer’s introductions, and information such health news, doctor and expert’s classroom.
- **Images** We put on site images about products, certificates, persons with smiling and delighting face, etc.
- **Videos** We put on site videos such as doctor and expert interviews, new product introductions, etc.

2.2.1.3 Community

As we defined in the executive summary, there is a small discussion area for users to exchange information, opinions or experience, however, it is only done by BBS mode that users only can put short information on the board to communicate with each other. Therefore, we only offer **limited community tools**.

2.2.1.4 Customization

As a startup firm, currently we still use **generic** mode that presents the same face to all users. Nevertheless, our target is to develop customization by **tailoring** tools in the future, which is planned to be:

- Use recommendation engine to vary the site's offering mix of products, information, and service according to specific user's past purchases or need;
- Tailor prices or payment term based on what we think the user will spend;

However, the short-run plan of customization would be **moderate** mode, that limited site features should be tailored.

2.2.1.5 Communication

At the startup stage, we use one-to-many, both responding user and nonresponding modes. However, to avoid that recipients form negative opinions about our company, resulting in damage of reputation, we would use permission email mode, which, first collects permission email addresses through opt-in forms and other ways on our site, and then send emails to those who permit. The emails would include surveys, which are of responding user mode; newsletters, which are of nonresponding user mode.

After we will have developed customization by tailoring tools, we would also use one-to-one, both responding and nonresponding modes to specific customers to build **customer loyalty**.

2.2.1.6 Connection

Framed links

We have exchange banners with related sites and to avoid that users can not return to our site easily after going to other sites, we choose framed links that the new website is literally framed in some way by our site. A bar at the top of the browser reminds the user that he is still on our site and gives him a link to return.

2.2.1.7 Commerce

Commerce features refer to user registration, shopping cart, security, credit card

approval, one-click shopping, order through affiliates, configuration technology, order tracking, delivery options and so on. As our revenue model is only selling PSI, we are of low commerce ability.

Map of 7Cs Framework

Context	Aesthetically dominant	Functionally dominant	Integrated	
Content	Product-dominant	Information-dominant	Service-dominant	
Community	Nonexistent	Limited	Strong	
Customization	Generic	Moderately customized	Highly customized	
Communication	One-to-many nonresponding user	One-to-many responding user	One-to-one nonresponding user	One-to-one responding user
Connection	Destination	Hub	Portal	
Commerce	Low	Medium	High	

2.2.2 Price

In actual sense, pricing is one of the key factors that gives leverage to supermarkets and pharmacy stores and a healthcare diet and supplements store is not an exception, it is normal for consumers to go to places (retail outlets) where they can get products at cheaper price which is why big players in the supermarket and pharmacy store industry will attract loads of consumers.

We know we don't have the capacity to compete with multi-million dollars healthcare diet and supplements stores, but we will ensure that the prices of all the products that are available in our stores are competitive with what is obtainable in retail stores within our level.

2.2.3 Place

Bricks and Mortar Store Evergreen is launching a standard healthcare diet and supplements products retail store that will indeed become the preferred choice of residents of our city. Our healthcare diet and supplements store is located in a corner piece property on a busy road directly opposite one of the largest residential estates in our city, and one thing is certain, we will ensure that we have a wide range of healthcare diet and supplements in our store at all times. It will be difficult for customers to visit and not see the type of supplements that they are looking for. One of our business goals is to make Evergreen a one-stop vitamin and supplements shop. Our excellent customer service culture, online store, various payment options and highly secured facility will serve as a competitive advantage for us.

Online Store As mentioned above, besides that we'll open our bricks and mortar store, our business will also come from digital promotion. The marketing approach for digital promotion purposes to get customers visit our website and keep them coming, for which we should deal with the following issues:

1. The URL, or the website's address should be easy for people to remember. Our URL is www.evergreenhealth.com, which, literally, Evergreen is somewhat related to health and thereby is good for people to remember.

2. To make the site be highly visible and easy to be searched out, we can choose to register the key words in search engines such as Google or Baidu.

Nonetheless, as such solution would be somewhat expensive and we want to cut cost as currently we are a start-up company, we plan to choose building up affiliation with other related websites that we can place our banners not only on health-care related websites but also on the medical or hospital related websites. Therefore, when people are searching for health care or medical treatment, they can find our websites.

Another method is to put our firm and website information on the BBS of websites like Baidu, Sina or Sohu, which are sites of forum or discussion where people can also acknowledge our product and service information through communicating with each other.

Section 3

Management Plan & Operation Plan

3.1 Management Plan

3.1.1 Our Business Structure

Evergreen is all out to build a standard and prominent business from the onset hence the need to follow due process when it comes to setting up a structure for the business. We will ensure that we put the right structure in place that will support the kind of growth that we have in mind while setting up the business.

We will ensure that we hire people that are qualified, honest, customer-oriented and are ready to work to help us build a prosperous business that will benefit all the stake holders.

As a matter of fact, profit-sharing arrangement will be made available to all our senior management staff and it will be based on their performance for a period of 8 years or more. In view of that, we have decided to hire qualified and competent hands to occupy the following positions;

1. General Manager (Owner)
2. Store Manager
3. Human Resources and Admin Manager
4. Merchandise Manager
5. Sales and Marketing Manager
6. Information Technologist
7. Accountants / Cashiers
8. Customer Services Executive
9. Cleaners

3.1.2 Job Roles and Responsibilities

General Manager:

Increases management's effectiveness by recruiting, selecting, orienting, training,

coaching, counseling, and disciplining managers; communicating values, strategies, and objectives; assigning accountability; planning, monitoring, and appraising job results.

Creating, communicating, and implementing the organization's vision, mission, and overall direction – i.e. leading the development and implementation of the overall organization's strategy.

Responsible for fixing prices and signing business deals.

Responsible for providing direction for the business.

Responsible for signing checks and documents on behalf of the company

Evaluates the success of the organization.

Reports to the board

Admin and HR Manager

Responsible for overseeing the smooth running of HR and administrative tasks for the organization

Maintains office supplies by checking stocks; placing and expediting orders; evaluating new products.

Ensures operation of equipment by completing preventive maintenance requirements; calling for repairs.

Defining job positions for recruitment and managing interviewing process

Carrying out induction for new team members

Responsible for training, evaluation and assessment of employees

Responsible for arranging travel, meetings and appointments

Oversee the smooth running of the daily office activities.

Store Manager:

Responsible for managing the daily activities in the store

Ensures that proper records of goods are kept and our racks and warehouse does not run out of products

Ensure that the store facility is in tip top shape and goods are properly arranged and easy to locate

- Interfaces with third-party suppliers (vendors)
- Control goods distribution and supply inventory
- Supervise the workforce in the grocery sales floor.

Merchandise Manager

- Manage vendor relations, market visits, and the ongoing education and development of the organizations' buying teams

- Help to ensure consistent vitamin and supplements products on our rack

- Responsible for the purchase of vitamin and supplements products for the organization

- Responsible for planning sales, monitoring inventory, selecting the merchandise, and writing and pricing orders to vendors

- Ensures that the organization operates within stipulated budget.

Sales and Marketing Manager

- Manage external research and coordinate all the internal sources of information to retain the organizations' best customers and attract new ones

- Model demographic information and analyze the volumes of transactional data generated by customer purchases

- Identify, prioritize, and reach out to new partners, and business opportunities etc

- Identifies development opportunities; follows up on development leads and contacts

- Responsible for supervising implementation, advocate for the customer's needs, and communicate with clients

- Document all customer contact and information

- Represent the company in strategic meetings

- Help increase sales and growth for the company

Information Technologist

- Manage the organization website

- Handles ecommerce aspect of the business

Responsible for installing and maintenance of computer software and hardware for the organization

Manage logistics and supply chain software, Web servers, e-commerce software and POS (point of sale) systems

Manage the organization's CCTV

Handles any other technological and IT related duties.

Accountant/Cashier:

Responsible for preparing financial reports, budgets, and financial statements for the organization

Provides managements with financial analyses, development budgets, and accounting reports

Responsible for financial forecasting and risks analysis.

Performs cash management, general ledger accounting, and financial reporting

Responsible for developing and managing financial systems and policies

Responsible for administering payrolls

Ensuring compliance with taxation legislation

Handles all financial transactions for the organization

Serves as internal auditor for the organization

Client Service Executive

Client Service Executive

Ensures that all contacts with clients (e-mail, walk-In center, SMS or phone) provides the client with a personalized customer service experience of the highest level

Through interaction with customers on the phone, uses every opportunity to build client's interest in the company's products and services

Manages administrative duties assigned by the human resources and admin manager in an effective and timely manner

Consistently stays abreast of any new information on the organizations' products,

promotional campaigns etc. to ensure accurate and helpful information is supplied to customers when they make enquiries

Find out the customer's needs, recommend, select and help locate the right vitamin and supplements products

Make suggestions and encourage purchase of healthcare diet and supplements

Lastly, our employees will be well taken care of, and their welfare package will be among the best within our category in the industry meaning that they will be more than willing to build the business with us and help deliver our set goals and achieve all our objectives. We will also give good working conditions and commissions to freelance sales agents that we will recruit from time to time.

3.2 Operation Plan

Evergreen Healthcare Product Online Store is a registered healthcare diet and supplements store business that will be located in downtown Hangzhou. Our retail outlet is a standard facility in one of the most ideal locations for a vitamin and supplements store. We will retail a wide range of healthcare diet and supplements to a wide range of customers.

3.2.1 Operation Plan of Online Business and Marketing

3.2.1.1 Our Online Offering

Scope of the offering EvergreenHealth's offering scope is **category-specific dominance**. As we have described in the executive summary, we offer a variety of health-care products contributing to the management and solution of metabolism, immunity and nutrition, with service such as health consultation and relevant product recommendation etc, information like doctor and expert's classroom and so on.

Customer decision process First of all we need to understand customer decision process, so that we can deal with clients with correct and effective ways. It is basically divided into three stages: prepurchase, purchase and postpurchase.

Prepurchase It includes problem recognition, information search, evaluation of alternatives;

Purchase It refers to purchase decision;

Postpurchase It includes customer's satisfaction, loyalty and disposal of products;

3.2.1.2 The Methods to Build Our Online Brand

1) General Online Communications

Banner Ads As we have stated in the strategic plan, we are now a startup firm and only put information on the BBS of Baidu, Sohu etc. In the future, with business and revenue expansion, we would plan to put banners on Sohu or Sina, which are portal sites with extremely high traffic. Of course such cost would be high and we prefer to choose pay click-through fee.

Email We would choose permission email mode as we incline to ensure corporate image not to be affected, even though this is of lower reach to customers.

Viral Marketing We would set up membership subscription and membership points. When a member logs in, a page will display with a blurb that encourage member to send our web info to others, if the member does it, he/she will get points. In this way, we can spread web info through users.

Affiliation We plan to put our banners on Hangzhou No. 1 and No. 2 hospital. In the future, if our business expands to be big enough with high-traffic, probably we can exchange banners with other sites, instead of paying to other sites for putting banners on their sites.

Partnership Our firm is product-dominant with relatively much smaller portion of offering of service and information. We plan to build partnership with www. DAH.com, which is a medical consultation online firm and in the future, may build a joint website to be the complementary site.

2) Personalized Online Communications

To those subscribed members who have bought our products more than three times, or those who explore our site frequently according to the records of our web tracking software, we would provide the following tailored service:

Personalized permission email They will regularly receive our newsletter, health-care advice information.

Personalized recommendation/advertisements They will receive recommendation

or advertisements of health-care products, which are related to their health problems according to our records of their previous purchasing and inquiry.

3) Continuity and Emphasis of Livestream Shopping

Livestream shopping first emerged in China in 2017 on platforms like Taobao, Weibo and WeChat, with estimates suggesting the value of live shopping to account for 20.3% of China's total online shopping GMV in 2022. It remains a popular form of ecommerce, with roughly 265 million Chinese shoppers making a purchase from a livestream in 2019 alone. We analyze and summarize the importance and methods of livestream shopping as follows:

The benefits of livestream shopping Aside from profit, there are several reasons why brands should seriously consider livestream commerce as part of their strategy. For starters, video shopping can help brands build stronger relationships with their audience. The interactivity of livestream shopping allows viewers to engage with a brand by leaving comments or asking questions in real time.

Livestream shopping can also help buyers make more informed purchases by showing the products in action, giving consumers the details they need before clicking the checkout button. Research shows returns are 50% lower when a product is bought off a livestream compared to traditional ecommerce channels. Someone shopping for healthcare products, for example, could tell the host what their specific problems are and ask the host questions they have about what products might be most suitable and helpful for them directly on a livestream. Or someone buying makeup can ask for a tutorial to ensure the product they see is something they'll actually use.

Three types of livestream shopping platforms Brands itching to experiment with livestream commerce have a few platform options to choose from, including:

- ✓ Social media platforms with shopping capabilities. Facebook, Instagram, Twitter and TikTok lead the way when it comes to livestream shopping, already playing host to names like Walmart. For brands just starting out with video shopping, leveraging social platforms where they have a presence and their audience already lives makes sense. Data shows that accelerate shows 78% of consumers follow brands on some platform, meaning there's a good chance brands can reach a chunk of their

target customers via Live Shopping. And for maximum efficiency, marketers can also repurpose their livestreams on these platforms to drive sales opportunities with their existing audience.

✓ Dedicated commerce platforms and apps. Ecommerce sites like Amazon are also getting into the livestream shopping game, adding an interactive and personal aspect to their existing platform. Consumers already flock to ecommerce sites for their shopping needs; a livestream component can further drive sales by helping shoppers make smarter decisions. Dedicated livestream shopping platforms like TalkShopLive and Buywith are also popping up, giving brands even more options to experiment with live selling.

✓ Self-hosted shopping platforms. Retailers that want complete control over all aspects of the shopping experience have the option of building their own streaming platform. Nordstrom, for example, launched its own livestream shopping channel, giving customers access to employees and brand partners across the beauty and fashion categories. On one hand, building a shopping platform from scratch enables brands to customize every part of the experience and ensures buyers aren't distracted by other featured content. On the other hand, brands also need to find a way to attract customers to a brand new, self-hosted platform.

A better way to shop from home As livestream shopping is a better way to shop from home than doing shopping at bricks and mortar stores, our long-term plan to expand our online marketing and sale to overseas. We have done the research that, in the US, the livestreaming market is expected to surpass \$25 billion by 2023. Amazon and Facebook already enable shoppable livestream events on their platforms with brands like Petco and Sephora taking advantage of the new functionality. Facebook, for example, launched Live Shopping Fridays where consumers can enjoy shoppable live videos from beauty and fashion brands.

Other brands are leveraging video-first platforms to host their livestreams. Since the start of the pandemic, Bloomingdale's has hosted a number of shoppable events over Zoom while Nordstrom launched its own livestream channel, taking inspiration from China's embrace of video shopping.

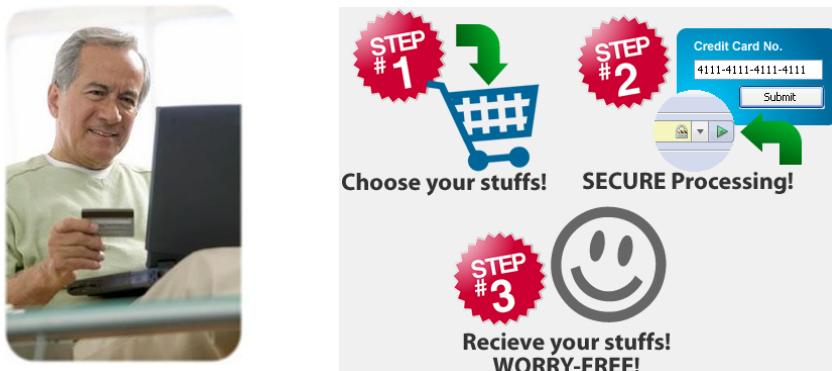
3.2.2 Operation Plan of Web Technology and Security

3.2.2.1 E-commerce infrastructure technology

1. Bandwidth: It affects site navigation and operation speed and the display of products on site.
2. Processing Power: It affects the product breadth and number of transactions.
3. Data storage: Larger data storage can store more products and customer data on site.

We have contacted and chosen China Telecom that we lease server from them by IDC (internet data center) service. The bandwidth of webserver is 30MB and the total annual expenses are RMB35,000 including lease, hardware maintenance and firewall.

3.2.2.2 E-commerce security technology



1. Company's operation and network can be damaged by hackers' attack, who can break into credit card database and steal all customer numbers, or close down or damage the site.

-- To deal with this hazard, encryption and decryption technology are applied. The customer (browser) encrypts his information such as credit card number or pin by public key and when data is transferring, a secure tunnel, called secure socket layer (SSL) is established automatically between the browser and server. The server finally decrypts the information by private key.

-- Our company chooses the software and technology from the U.S. company

Equifax (<http://www.equifax.com>) for this protection solution.

2. Company's operation and network can also be damaged or destroyed by viruses, worms and Trojan horses.

-- To deal with such hazard, we plan to choose the Norton anti-virus software to scan, check and kill such malicious programs and software.

3.2.3 Operation Plan of Offline Business and Marketing

3.2.3.1 The Goals of Marketing Communication

We understand that marketing communication is crucial to business running and it refers to all the points of contact that a firm has with its customers, which include obvious offline communications such as television advertising, promotions, and sales calls, as well as emergent advertising approaches on the Internet. The goals of marketing communication include:

Strengthen Brand We should build Evergreen brand awareness in the market.

Lock in Target Customers We should build customer loyalty and set in their mind that we deliver differentiation of products which they can not find from hospitals or other stores of healthcare products.

3.2.3.2 The Three Elements of Our Brand

Core product/service Effective products and professional consultation and prescription to solve health problems;

Wrap-arounds Membership points / Buy one, give one / Free sampling only for VIPs;

Marketing communications Use four categories of marketing methods and emphasize functional benefits (membership points, buy one/give one, etc.), experiential benefits (e.g. free sampling)

3.2.3.3 Publicity and Advertising Strategy

Even though our healthcare diet and supplements store will be well located, we will still go ahead to intensify publicity for the business. Evergreen Healthcare Product Online Store has a long-term plan of opening outlets in various locations all around our city which is why we will deliberately build our brand to be well accepted in our

city before venturing out. Here are the methods we intend leveraging on to promote and advertise Evergreen Healthcare Product Online Store;

- ✓ Place adverts on community based newspapers, radio and TV stations.
- ✓ Encourage the use of word of mouth publicity from our loyal customers
- ✓ Ensure that our we position our banners and billboards in strategic positions all around our city.
- ✓ Distribute our fliers and handbills in target areas in and around our neighborhood
- ✓ Advertise our healthcare diet and supplements store in our official website and employ strategies that will help us pull traffic to the site.
- ✓ Brand all our official cars and vans and ensure that all our staff members and management staff wear our branded shirt or cap at regular intervals.

3.2.3.4 Direct Communications

We will plan to hire doctors and health experts to be our consultants and we will put our consulting hotline phone number on site pages. Customer call us and our consultants will give them professional and effective advice and recommendations for the treatment of their problems.

For those who have bought our products more than three times and those who have called us and are willing to receive our phone calls, we would actively call them to acknowledge their needs, wants and demands.

3.2.3.5 Plan for Payment Options

The payment policy adopted by Evergreen is all inclusive because we are quite aware that different customers prefer different payment options as it suits them but at the same time, we will ensure that we abide by the financial rules and regulation of the country.

Here are the payment options that Evergreen will make available to the clients;

- ✓ Payment via bank transfer
- ✓ Payment with cash

- ✓ Payment via credit cards
- ✓ Payment via online bank transfer
- ✓ Payment via check
- ✓ Payment via WeChat and AliPay transfer

In view of the above, we have chosen banking platforms that will enable our clients make payment for our healthcare diet and supplements without any stress on their part.

Section 4

Financial Projections

4.1 Financial Statement

Please see the attached excel files of Evergreen Income Statement, Balance Sheet and Cash Flow Statement.

Evergreen Healthcare Products Online Store		Income Statement	
		2022	2021
Revenue		2022	2021
	Product Sales revenue	980,000	455,000
	(Less sales returns and allowances)		
	Service revenue		
	Information revenue		
	Other revenue		
Total Revenues		980,000	455,000
Expenses			
	Advertising	4,000	3,000
	Bad debt		
	Commissions		
	Cost of goods sold		
	Depreciation		
	Employee benefits		
	Furniture and equipment		8,000
	Insurance		
	Interest expense	4,200	5,200
	Maintenance and repairs		
	Office supplies		
	Payroll taxes		
	Rent		
	Purchase of inventory	301,000	210,000
	Salaries and wages		
	Software		
	Travel		
	Utilities		
	Web hosting and domains		
	Other	17,460	
Total Expenses		326,660	226,200
	Net Income Before Taxes	653,340	228,800
	Income tax expense	14,936	9,920
Income from Continuing Operations		638,404	218,880
Below-the-Line Items			
	Income from discontinued operations		
	Effect of accounting changes		
	Extraordinary items		
Net Income		638,404	218,880

Evergreen Healthcare Product Online Store		Balance Sheet	
		Date:	
Assets		2022	2021
<i>Current Assets</i>			
	Cash	303,000	
	Accounts receivable		
	Inventory	470,000	
	Prepaid expenses		
	Short-term investments		
	<i>Total current assets</i>	¥ 773,000	¥ -
<i>Fixed (Long-Term) Assets</i>			
	Long-term investments		
	Property, plant, and equipment	35,340	
	(Less accumulated depreciation)	(2,200)	
	Intangible assets		
	<i>Total fixed assets</i>	¥33,140.00	¥0.00
<i>Other Assets</i>			
	Deferred income tax		
	Other		
	<i>Total Other Assets</i>	¥0.00	¥0.00
Total Assets		¥806,140.00	¥0.00
Liabilities and Owner's Equity			
<i>Current Liabilities</i>			
	Accounts payable	¥8,060.00	
	Short-term loans		
	Income taxes payable	¥13,145.00	
	Accrued salaries and wages		
	Unearned revenue		
	Current portion of long-term debt		
	<i>Total current liabilities</i>	¥21,205.00	¥0.00
<i>Long-Term Liabilities</i>			
	Long-term debt		
	Deferred income tax	¥11,000.00	
	Other		
	<i>Total long-term liabilities</i>	¥11,000.00	¥0.00
<i>Owner's Equity</i>			
	Owner's investment	¥30,230.00	
	Retained earnings	¥4,389.00	
	Other		
	<i>Total owner's equity</i>	¥34,619.00	¥0.00
Total Liabilities and Owner's Equity		¥66,824.00	¥0.00
Common Financial Ratios			
Debt Ratio (Total Liabilities / Total Assets)		0.04	
Current Ratio (Current Assets / Current Liabilities)		36.45	
Working Capital (Current Assets - Current Liabilities)		751,795	-
Assets-to-Equity Ratio (Total Assets / Owner's Equity)		23.29	
Debt-to-Equity Ratio (Total Liabilities / Owner's Equity)		0.93	

Evergreen Healthcare Products Online Store				
3-Year Cash Flow				
	For the Year Ending	2020/12/31	2021/12/31	2022/12/31
	Cash at Beginning of Year	15,700	-46,600	-58,330
	Cash at End of Year	-46,600	-58,330	338,167
Operations		2020	2021	2022
Cash receipts from				
	Customers	410,000	455,000	980,000
	Other operations			
Cash paid for				
	Inventory purchases	-164,000	-210,000	-301,000
	General operating and administrative expenses	-11,000	-12,200	-13,520
	Wage expenses	-123,000	-135,300	-148,830
	Interest	-13,500	-14,850	-16,335
	Income taxes	-32,800	-36,080	-39,688
Net Cash Flow from Operations		65,700	46,570	460,627
Investing Activities				
Cash receipts from				
	Sale of property and equipment			
	Collection of principal on loans			
	Sale of investment securities			
Cash paid for				
	Purchase of property and equipment	-75,000		
	Making loans to other entities			
	Purchase of investment securities			
Net Cash Flow from Investing Activities		-75,000	0	0
Financing Activities				
Cash receipts from				
	Issuance of stock			
	Borrowing			
Cash paid for				
	Repurchase of stock (treasury stock)			
	Repayment of loans			
	Dividends	-53,000	-58,300	-64,130
Net Cash Flow from Financing Activities		-53,000	-58,300	-64,130
Net Cash Flow		-62,300	-11,730	396,497

4.2 Cash Flow

We have made the estimated cash flow of future 5 years after we receive the investment and establish our new business, which is 2024 to 2028. Please see the attached excel files of Evergreen Cash Flow.

Cash Flow Forecast - 12 Months of 2024

Month:	Pre-Start	1	2	3	4	5	6	7	8	9	10	11	12	Totals
Receipts														
Cash sales of major healthcare diet and supplements	0	100,000	112,000	80,000	100,000	110,000	120,000	70,000	90,000	80,000	50,000	60,000	40,000	1,012,000
Cash sales of vitamins and minerals	0	90,000	80,000	70,000	50,000	60,000	50,000	70,000	90,000	80,000	100,000	60,000	1,166	801,166
Cash sales of service	0	10,000	12,000	8,000	6,000	18,000	10,000	10,000	8,000	16,000	8,000	12,000	14,000	132,000
Cash sales of information	0	6,000	10,000	8,000	12,000	14,000	6,000	10,000	16,000	18,000	10,000	10,000	8,000	128,000
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Receipts	0	206,000	214,000	166,000	168,000	202,000	186,000	160,000	204,000	194,000	168,000	142,000	63,166	2,073,166
Payments														
Cash purchases	0													0
Payments to creditors	0	1,203	978	499	392	713	499	446	446	499	339	339	503	6,856
Salaries and wages	0	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	960,000
Employee benefits	0	3,152	2,560	1,310	1,029	1,864	1,310	1,168	1,168	1,310	890	890	1,315	17,966
Payroll taxes	0	1,051	853	437	343	621	437	389	389	437	297	297	438	5,989
Rent	0	5,253	4,267	2,183	1,715	3,107	2,183	1,947	1,947	2,183	1,483	1,483	2,192	29,943
Utilities	0	1,021	830	425	333	604	425	379	379	425	288	288	426	5,823
Repairs and maintenance	0	584	474	243	191	345	243	216	216	243	165	165	244	3,329
Insurance	0	1,021	830	425	333	604	425	379	379	425	288	288	426	5,823
Travel	0	1,240	1,007	515	405	734	515	460	460	515	350	350	518	7,069
Telephone	0	1,043	847	434	341	617	434	387	387	434	295	295	435	5,949
Postage	0	438	358	182	143	259	182	162	162	182	124	124	183	2,499
Office supplies	0	949	770	394	310	561	394	352	352	394	268	268	396	5,408
Advertising	0	6,938	5,635	2,883	2,265	4,103	2,883	2,571	2,571	2,883	1,959	1,959	2,895	39,545
Marketing/promotion	0	5,439	4,418	2,261	1,776	3,217	2,261	2,016	2,016	2,261	1,536	1,536	2,270	31,007
Professional fees	0	1,751	1,422	728	572	1,036	728	649	649	728	494	494	731	9,982
Training and development	0	26	21	11	9	16	11	10	10	11	7	7	11	150
Bank charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owner's drawings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan repayments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax payments	0	25,050	0	4,175	0	0	0	0	0	0	0	0	0	29,225
Capital purchases	0	0	0	0	10,000	0	0	10,000	0	0	21,325	0	0	41,325
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Payments	0	136,158	105,270	97,106	100,157	98,401	92,930	101,531	91,531	92,930	110,108	88,783	92,983	1,207,888
Cashflow Surplus/Deficit (-)	0	69,841	108,730	68,895	67,843	103,599	93,070	58,469	112,469	101,070	57,892	53,217	-29,817	865,278

Cash Flow Forecast - 12 Months of 2025

Month:	Pre-Start	1	2	3	4	5	6	7	8	9	10	11	12	Totals
Receipts														
Cash sales of major healthcare diet and supplements	0	110,000	130,000	90,000	90,000	110,000	140,000	80,000	100,000	100,000	60,000	70,000	50,000	1,130,000
Cash sales of vitamins and minerals	0	90,000	80,000	70,000	50,000	60,000	50,000	70,000	90,000	80,000	100,000	60,000	40,000	840,000
Cash sales of service	0	11,000	14,000	9,000	8,000	17,000	11,000	12,000	9,000	18,000	4,000	8,000	15,000	136,000
Cash sales of information	0	6,000	10,000	8,000	12,000	14,000	6,000	10,000	16,000	18,000	10,000	10,000	8,000	128,000
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Receipts	0	217,000	234,000	177,000	160,000	201,000	207,000	172,000	215,000	216,000	174,000	148,000	113,000	2,234,000
Payments														
Cash purchases	0													0
Payments to creditors	0	1,203	978	499	392	713	499	446	446	499	339	339	503	6,856
Salaries and wages	0	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	1,080,000
Employee benefits	0	3,152	2,560	1,310	1,029	1,864	1,310	1,168	1,168	1,310	890	890	1,315	17,966
Payroll taxes	0	1,051	853	437	343	621	437	389	389	437	297	297	438	5,989
Rent	0	5,253	4,267	2,183	1,715	3,107	2,183	1,947	1,947	2,183	1,483	1,483	2,192	29,943
Utilities	0	1,021	830	425	333	604	425	379	379	425	288	288	426	5,823
Repairs and maintenance	0	584	474	243	191	345	243	216	216	243	165	165	244	3,329
Insurance	0	1,021	830	425	333	604	425	379	379	425	288	288	426	5,823
Travel	0	1,240	1,007	515	405	734	515	460	460	515	350	350	518	7,069
Telephone	0	1,043	847	434	341	617	434	387	387	434	295	295	435	5,949
Postage	0	438	358	182	143	259	182	162	162	182	124	124	183	2,499
Office supplies	0	949	770	394	310	561	394	352	352	394	268	268	396	5,408
Advertising	0	6,938	5,635	2,883	2,265	4,103	2,883	2,571	2,571	2,883	1,959	1,959	2,895	39,545
Marketing/promotion	0	5,439	4,418	2,261	1,776	3,217	2,261	2,016	2,016	2,261	1,536	1,536	2,270	31,007
Professional fees	0	1,751	1,422	728	572	1,036	728	649	649	728	494	494	731	9,982
Training and development	0	26	21	11	9	16	11	10	10	11	7	7	11	150
Bank charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owner's drawings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan repayments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax payments	0	25,050	0	4,175	0	0	0	0	0	0	0	0	0	29,225
Capital purchases	0	0	0	0	10,000	0	0	10,000	0	0	21,325	0	0	41,325
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Payments	0	146,158	115,270	107,105	110,157	108,401	102,930	111,531	101,531	102,930	120,108	98,783	102,983	1,327,888
Cashflow Surplus/Deficit (-)	0	70,841	118,730	69,895	49,843	92,599	104,070	60,469	113,469	113,070	53,892	49,217	10,017	906,112

Cash Flow Forecast - 12 Months of 2026

Month:	Pre-Start	1	2	3	4	5	6	7	8	9	10	11	12	Totals
Receipts														
Cash sales of major healthcare diet and supplements	0	110,000	100,000	90,000	110,000	120,000	130,000	80,000	110,000	80,000	60,000	70,000	50,000	1,110,000
Cash sales of vitamins and minerals	0	80,000	90,000	60,000	40,000	70,000	60,000	80,000	90,000	80,000	100,000	60,000	70,000	880,000
Cash sales of service	0	10,000	12,000	8,000	6,000	18,000	10,000	10,000	8,000	16,000	8,000	12,000	14,000	132,000
Cash sales of information	0	6,000	10,000	8,000	12,000	14,000	6,000	10,000	16,000	18,000	10,000	10,000	8,000	128,000
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Receipts	0	206,000	212,000	166,000	168,000	222,000	206,000	180,000	224,000	194,000	178,000	152,000	142,000	2,250,000
Payments														
Cash purchases	0													0
Payments to creditors	0	1,203	978	499	392	713	499	446	446	499	339	339	503	6,856
Salaries and wages	0	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	1,140,000
Employee benefits	0	3,152	2,560	1,310	1,029	1,864	1,310	1,168	1,168	1,310	890	890	1,315	17,966
Payroll taxes	0	1,051	853	437	343	621	437	389	389	437	297	297	438	5,989
Rent	0	5,253	4,267	2,183	1,715	3,107	2,183	1,947	1,947	2,183	1,483	1,483	2,192	29,943
Utilities	0	1,021	830	425	333	604	425	379	379	425	288	288	426	5,823
Repairs and maintenance	0	584	474	243	191	345	243	216	216	243	165	165	244	3,329
Insurance	0	1,021	830	425	333	604	425	379	379	425	288	288	426	5,823
Travel	0	1,240	1,007	515	405	734	515	460	460	515	350	350	518	7,069
Telephone	0	1,043	847	434	341	617	434	387	387	434	295	295	435	5,949
Postage	0	438	358	182	143	259	182	162	162	182	124	124	183	2,499
Office supplies	0	949	770	394	310	561	394	352	352	394	268	268	396	5,408
Advertising	0	6,938	5,635	2,883	2,265	4,103	2,883	2,571	2,571	2,883	1,959	1,959	2,895	39,545
Marketing/promotion	0	5,439	4,418	2,261	1,776	3,217	2,261	2,016	2,016	2,261	1,536	1,536	2,270	31,007
Professional fees	0	1,751	1,422	728	572	1,036	728	649	649	728	494	494	731	9,982
Training and development	0	26	21	11	9	16	11	10	10	11	7	7	11	150
Bank charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owner's drawings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan repayments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax payments	0	25,050	0	4,175	0	0	0	0	0	0	0	0	0	29,225
Capital purchases	0	0	0	0	10,000	0	0	10,000	0	0	21,325	0	0	41,325
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Payments	0	151,159	120,270	112,105	115,157	113,401	107,930	116,531	106,531	107,930	125,108	103,783	107,983	1,387,888
Cashflow Surplus/Deficit (-)	0	54,841	91,730	53,895	52,843	108,599	98,070	63,469	117,469	86,070	52,892	48,217	34,017	862,112

Cash Flow Forecast - 12 Months of 2027

Month:	Pre-Start	1	2	3	4	5	6	7	8	9	10	11	12	Totals
Receipts														
Cash sales of major healthcare diet and supplements	0	100,000	112,000	90,000	130,000	120,000	150,000	80,000	100,000	80,000	50,000	60,000	40,000	1,112,000
Cash sales of vitamins and minerals	0	100,000	90,000	40,000	60,000	40,000	70,000	60,000	80,000	100,000	90,000	70,000	30,000	830,000
Cash sales of service	0	10,000	12,000	8,000	6,000	18,000	10,000	10,000	8,000	16,000	8,000	12,000	14,000	132,000
Cash sales of information	0	6,000	10,000	8,000	12,000	14,000	6,000	10,000	16,000	18,000	10,000	10,000	8,000	128,000
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Receipts	0	216,000	224,000	146,000	208,000	192,000	236,000	160,000	204,000	214,000	158,000	152,000	92,000	2,202,000
Payments														
Cash purchases	0													0
Payments to creditors	0	1,203	978	499	392	713	499	446	446	499	339	339	503	6,856
Salaries and wages	0	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,200,000
Employee benefits	0	3,152	2,560	1,310	1,029	1,864	1,310	1,168	1,168	1,310	890	890	1,315	17,966
Payroll taxes	0	1,051	853	437	343	621	437	389	389	437	297	297	438	5,989
Rent	0	5,253	4,267	2,183	1,715	3,107	2,183	1,947	1,947	2,183	1,483	1,483	2,192	29,943
Utilities	0	1,021	830	425	333	604	425	379	379	425	288	288	426	5,823
Repairs and maintenance	0	584	474	243	191	345	243	216	216	243	165	165	244	3,329
Insurance	0	1,021	830	425	333	604	425	379	379	425	288	288	426	5,823
Travel	0	1,240	1,007	515	405	734	515	460	460	515	350	350	518	7,069
Telephone	0	1,043	847	434	341	617	434	387	387	434	295	295	435	5,949
Postage	0	438	358	182	143	259	182	162	162	182	124	124	183	2,499
Office supplies	0	949	770	394	310	561	394	352	352	394	268	268	396	5,408
Advertising	0	6,938	5,635	2,883	2,265	4,103	2,883	2,571	2,571	2,883	1,959	1,959	2,895	39,545
Marketing/promotion	0	5,439	4,418	2,261	1,776	3,217	2,261	2,016	2,016	2,261	1,536	1,536	2,270	31,007
Professional fees	0	1,751	1,422	728	572	1,036	728	649	649	728	494	494	731	9,982
Training and development	0	26	21	11	9	16	11	10	10	11	7	7	11	150
Bank charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owner's drawings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan repayments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax payments	0	25,050	0	4,175	0	0	0	0	0	0	0	0	0	29,225
Capital purchases	0	0	0	0	10,000	0	0	10,000	0	0	21,325	0	0	41,325
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Payments	0	156,159	125,270	117,105	120,157	118,401	112,930	121,531	111,531	112,930	130,108	108,783	112,983	1,447,888
Cashflow Surplus/Deficit (-)	0	59,841	98,730	28,895	87,843	73,599	123,070	38,469	92,469	101,070	27,892	43,217	-20,983	754,112

Cash Flow Forecast - 12 Months of 2028														
Month:	Pre-Start	1	2	3	4	5	6	7	8	9	10	11	12	Totals
Receipts														
Cash sales of major healthcare diet and supplements	0	130,000	130,000	150,000	160,000	180,000	170,000	160,000	120,000	130,000	150,000	160,000	190,000	1,830,000
Cash sales of vitamins and minerals	0	100,000	120,000	150,000	140,000	170,000	160,000	150,000	100,000	120,000	110,000	170,000	120,000	1,610,000
Cash sales of service	0	20,000	14,000	18,000	7,000	19,000	12,000	13,000	12,000	17,000	12,000	13,000	15,000	172,000
Cash sales of information	0	8,000	11,000	9,000	14,000	15,000	8,000	11,000	17,000	19,000	12,000	12,000	8,000	144,000
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Receipts	0	258,000	275,000	327,000	321,000	384,000	350,000	334,000	249,000	286,000	284,000	355,000	333,000	3,756,000
Payments														
Cash purchases	0													0
Payments to creditors	0	1,203	978	499	392	713	499	446	446	499	339	339	503	6,856
Salaries and wages	0	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	1,560,000
Employee benefits	0	3,152	2,560	1,310	1,029	1,864	1,310	1,168	1,168	1,310	890	890	1,315	17,966
Payroll taxes	0	1,051	853	437	343	621	437	389	389	437	297	297	438	5,989
Rent	0	5,253	4,267	2,183	1,715	3,107	2,183	1,947	1,947	2,183	1,483	1,483	2,192	29,943
Utilities	0	1,021	830	425	333	604	425	379	379	425	288	288	426	5,823
Repairs and maintenance	0	584	474	243	191	345	243	216	216	243	165	165	244	3,329
Insurance	0	1,021	830	425	333	604	425	379	379	425	288	288	426	5,823
Travel	0	1,240	1,007	515	405	734	515	460	460	515	350	350	518	7,069
Telephone	0	1,043	847	434	341	617	434	387	387	434	295	295	435	5,949
Postage	0	438	358	182	143	259	182	162	162	182	124	124	183	2,499
Office supplies	0	949	770	394	310	561	394	352	352	394	268	268	396	5,408
Advertising	0	6,938	5,635	2,883	2,265	4,103	2,883	2,571	2,571	2,883	1,959	1,959	2,895	39,545
Marketing/promotion	0	5,439	4,418	2,261	1,776	3,217	2,261	2,016	2,016	2,261	1,536	1,536	2,270	31,007
Professional fees	0	1,751	1,422	728	572	1,036	728	649	649	728	494	494	731	9,982
Training and development	0	26	21	11	9	16	11	10	10	11	7	7	11	150
Bank charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owner's drawings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan repayments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax payments	0	25,050	0	4,175	0	0	0	0	0	0	0	0	0	29,225
Capital purchases	0	0	0	0	10,000	0	0	10,000	0	0	21,325	0	0	41,325
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Payments	0	186,159	155,270	147,105	150,157	148,401	142,930	151,531	141,531	142,930	160,108	138,783	142,983	1,807,888
Cashflow Surplus/Deficit (+)	0	71,841	119,730	179,895	170,843	235,599	207,070	182,469	107,469	143,070	123,892	216,217	190,017	1,948,112

4.3 NPV, IRR, ROI

For NPV and IRR, please see the attached excel files of Evergreen NPV, IRR. We can see that IRR is 60%, which is bigger than the discount rate 5.5% that is the lowest required rate. Therefore this project is supposed to be acceptable.

Period	Description	Cash Flow	Discount Rate	NPV	IRR
1	Initial Investment	¥-1,400,000.00	5.50%	¥3,067,117.23	60%
2	Year 1	¥865,000.00			
3	Year 2	¥906,000.00			
4	Year 3	¥862,000.00			
5	Year 4	¥754,000.00			
6	Year 5	¥1,948,000.00			

For Return of Investment, our required initial investment is RMB1,400,000, the profit we gain from 2024 to 2028 sums to be 865,000+906,000+863,000+754,000+1,948,000=RMB5,333,000, as shown in the predicted cash flows.

So the ROI is: $(5333000-1400000)/1400000 \times 100\% = 280\%$

4.4 Breakeven Point

We've made the breakeven point analysis of 2024, and the calculated breakeven point is that the revenue must be RMB2,012,000, and our estimated revenue of 2024 is RMB2,073,000. Hence in the first year of 2024, we can break even. Please see the attached excel files of Evergreen Break Even Analysis for the details.

Evergreen Healthcare Products Online Store		
Break-Even Analysis		
Product Name	Date :	
For the Period:	Jan. 1, 2024 - Jan. 1, 2025	
Selling Price (P):	¥170.00	
Break-Even Units (X):	11,838.00 Units	
Break-Even Sales (S):	¥2,012,460.00	
Fixed Costs		
Advertising		¥10,000.00
Accounting, Legal		
Depreciation		¥1,200.00
Interest Expense		-
Insurance		-
Unit Price of Product Purchase		¥100.00
Payroll		¥800,000.00
Rent		¥12,000.00
Supplies		-
Taxes(real estate, etc.)		-
Utilities		-
Other (specify)		-
Total Fixed Costs (TFC)		¥823,300.00
Variable Costs		
Variable Costs based Amount per Unit		
Cost of Goods Sold	¥25.00	per unit
Direct Labor	¥50.00	per unit
Overhead	¥11.00	per unit
Other (specify)		per unit
Sum:	¥86.00	
Variable Costs Based on Percentage		
Commissions	¥0.08	per unit
Other (Specify)	¥0.01	per unit
Sum:	¥0.09	
Total Variable Cost per Unit (V)		¥100.45
Contribution Margin per unit (CM) = P - V		¥69.55
Contribution Margin Ration (CMR) = 1 - V/P = cm / P		¥0.41
Break - Even Point		
UnitS (X)	X =	11,838.00
ven UnitS (S)	S = X * P =	¥2,012,460.00

4.5 Interview

4.5.1 Questions Regarding Financial Projection

Q1. How would you forecast revenues?

There are two approaches to model building — making your model realistic, or keeping it simple and robust.

The first principles approach identifies various methods to model revenues with high degrees of detail and precision. There are also industry-specific considerations that need to be taken into account. For instance, when forecasting revenue for the retail industry, you forecast expansion rate and derive income per square meter. When forecasting revenue for the telecommunications industry, you predict the market size and use current market share and competitor analysis. When forecasting revenue for service industries, you estimate the headcount and use the income per employee trends.

On the other hand, the quick and simple approach to robust models outlines how you can model revenues in a much more straightforward way, with the benefit that the model will be more simple and easy to use. In this approach, you predict the future growth rate based on historical figures and trends.

Q2. What is the difference between NPV and XNPV functions in Excel.

The NPV function calculates the net present value, given a series of cash flows and a discount rate. The NPV function assumes that payments are spaced out in equal periodic payments.

The function argument is =NPV(rate, [value 1], [value 2],...), where rate is the rate of discount over the length of the period, and value 1, value 2,... are numeric values that represent a series of payments and income.

The XNPV function is far more precise than the NPV function because it takes into account the specific dates on which each of the cash flows takes place. This function requires the input of a discount rate, a series of cash flows, and a series of corresponding dates for each cash flow.

The function is =XNPV(Rate, Cash Flows, Dates of Cash Flow)

In valuing a security, investment, or company, the XNPV function provides a more accurate net present value because it factors in the time value of money, while NPV function does not.

Q3. How do you forecast free cash flow?

Free cash flow to the firm (a.k.a. “unlevered free cash flow”) is the preferred approach when valuing equities using the DCF method.

The formula to calculate FCFF is: $FCFF = EBIT \times (1 - \text{Tax}\%) + \text{Depreciation \& Amortization} - \text{Net Capital Expenditure} - \text{Increase in Working Capital}$

You can also calculate the free cash flow to equity, which is the amount of cash available to equity investors after paying off debt, interest, and investment required to keep the company operating.

It can be calculated using the formula: $FCFE = \text{Cash from operations} - \text{Capital Expenditures} + \text{Net Debt Issued}$

Q4. What is sensitivity analysis and how would you perform one in Excel?

Sensitivity analysis is a tool used in financial modeling to analyze how different values of a set of independent variables impact a specific dependent variable under certain conditions. For example, a financial analyst may want to examine how a company’s profit margin may be impacted when variables such as the cost of goods sold and labor costs change. He can perform a sensitivity analysis to test different sets of values for these variables and see how the profit margin changes accordingly.

One of the most useful tools in Excel for performing sensitivity analysis is the data tables, where you can show the output sensitivity by changing up to two

independent variables. Tornado charts are also a great way of showing the impact of changes to many variables at once.

Q5. How are the three Financial Statements linked?

If you get one of the financial modeling interview questions along the lines of, “How are the 3 financial statements linked together?”, in an interview, you shouldn’t go into as much detail as above, but instead simply hit the main points, which are:

Net income from the income statement flowing to the balance sheet and cash flow statement

Depreciation is added back and CapEx is deducted on the cash flow statement, which determines PP&E on the balance sheet

Financing activities mostly affect the balance sheet and cash from finalizing, except for interest, which is shown on the income statement

The sum of the last period’s closing cash plus this period’s cash from operations, investing, and financing is the closing cash balance on the balance sheet.

4.5.2 Questions about Shopping for Healthcare Diet and Supplement

We made an a questionnaire of 10 questions to 100 consumers as follows, and the fundamental result is that It’s evident that retail shopping is going through a change that it is indeed being challenged by online stores. It’s also fair to say that a mix of factors — the rise of e-commerce plus the increased operational costs of leasing land for a traditional brick-and-mortar store — have a lot to do with it.

However, while it’s projected that many retail stores could be challenged by online stores, we still expect that 65% of retail buying will still happen in physical stores. Why is it? Because many customers still like to experience products first-hand before purchasing, and shoppers still love the instant gratification of an in-person purchase, which is reflected from Q3.

Q1. How often do you shop online?

- ✓ Very often 51%

- ✓ Seldom 25%
- ✓ Not Often 24%

Q2. Choose 1 products you buy frequently for healthcare.

- ✓ Specialty dietary supplements 13%
- ✓ Herbs and botanicals 29%
- ✓ Protein powder 51%
- ✓ Meal replacements and weight loss products 7%

Q3. What is the biggest challenge you face with shopping online?

- ✓ Slow checkout time 34%
- ✓ Lack of first-hand purchase experience I want 42%
- ✓ Slow webpage response time 24%

Q4. How likely are you to recommend shopping site to other online shoppers?

- ✓ Very likely 13%
- ✓ Somewhat likely 32%
- ✓ Very unlikely 55%

Q5. What is your biggest concern about online shopping?

- ✓ Breach of personal information 35%
- ✓ Breach of payment details 54%
- ✓ Poor internet connection 11%

Q6. How much do you spend on online shopping every month?

- ✓ Less than 100 RMB 21%
- ✓ 100RMB – 500RMB 23%
- ✓ 500RMB – 1000RMB 24%
- ✓ More than 1000 RMB 32%

Q7. Survey the gender of consumers:

- ✓ Man 45%
- ✓ Woman 55%

Q8. Survey the age of consumers:

- ✓ Juvenile: 13 -19 years old 37%
- ✓ Youth and middle age: 20 -39 years old 32%
- ✓ Old age: over 60 years old 31%

Q9. The biggest reason why you choose to buy health care products online:

- ✓ The price is cheaper than the offline store; 54%
- ✓ It saves time and effort without crowding traffic 16%
- ✓ Greater choice (brand, category, region).32%

Q10. The most important factor for you to choose healthcare products:

- ✓ Auxiliary treatment of illness; 35%
- ✓ Work pressure, want to improve the sub-health state; 32%
- ✓ Seeing that everyone else is eating, I want to maintain myself. 33%

Section 5

Conclusion and Suggestion

5.1 Conclusion

5.1.1 Conclusion Regarding Market Environment and Business Possibilities

Over and above, the healthcare product Manufacturing industry is a profitable industry and it is open for any aspiring entrepreneur to come in and establish their own business; we can choose to start on a small scale by opening a store or we can choose to start on a large scale with standard healthcare diet and supplement manufacturing factories in a city where you can get cheaper raw materials.

Businesses in the healthcare diet and supplements manufacturers industry primarily develop and manufacture products that contain an ingredient intended to supplement the diet. Key groups within this industry consist of standard healthcare diet and vitamin and mineral supplements, as well as sports nutrition products and herbal supplements.

If you are a close observer of the healthcare diet and supplements manufacturing industry, you will agree that the industry has grown rapidly over the last half decade, profiting from increased demand from a larger mainstream, health-conscious consumer base and of course an increasingly aging population.

Going forward, the industry is expected to benefit from the same trends that have supported its growth in the past, including increasing health expenditure and growing interest in wellness and nutrition among mainstream consumers. So also, as discretionary income continues to strengthen, more consumers will trade up to premium, all-natural and organic products, helping lift the revenue generated by establishments in the industry.

Statistics has it that in China alone, the healthcare diet and Supplements Manufacturing industry generates over RMB1.6 trillion annually from more than 1,041 registered and licensed healthcare and supplements manufacturing companies.

The industry employs over 1,227,015 people. Experts project the healthcare diet and Supplement manufacturing industry to grow at a 5.2 percent annual rate. The four establishments in this industry that have dominant market shares in China

are; Infinitus, Amway, By-Health, Dongeejiao, etc.

News reports that the healthcare diet and Supplements Manufacturing industry has a low market share concentration, where the four largest companies are expected to account for a 28.3 percent share of the market in 2023, with Infinitus possessing 10.3%, Amway 6.8%, By-Health 6.1% and Dongeejiao 5.1%.

5.1.2 Conclusion Regarding Marketing Methods and Its Readiness

When we first started the project, we did not have the accurate picture of all the elements digital marketing plan consists of. The main problem was defining the subject and visual communication. So we conducted a social media marketing survey which is an idea that occurred to me in the middle of the project. Survey could have been done earlier with a bigger audience and different questions. The small survey helped us a lot, so what I did learn is that even a small survey is better than no survey at all.

We believe that the main objectives of the project will be met. Social media channels are being chosen and pages worked out, the SEO plan are being carried out, the website base are being worked out and the email marketing platform tested. High-quality products from our healthcare diet and supplements manufacturers are a good basis for us to develop its digital communication and promotion, and we believe that the whole online communication of the brand would remained at higher level. We'll make sure that our website will be published and SEO plan applied. Product photos and short videos are promoted via TikTok and Taobao marketing. We will contact celebrities, magazines, bloggers and events that appeal to the target market. Samples of healthcare products will be sent for them to promote. We will utilize every channel that is useful for our products to gain awareness, which is the key to boost sales.

5.1.3 Estimated Startup Expenditure (Budget)

From our market survey and feasibility studies, we have been able to come up with a detailed budget for establishing a standard healthcare diet and supplements store and here are the key areas where we will spend our startup capital;

- ✓ The total fee for registering the business in the related authorities – RMB5,250.
- ✓ Legal expenses for obtaining licenses and permits as well as the accounting services (software, P.O.S machines and other software) – RMB23,100
- ✓ Marketing promotion expenses for the grand opening of Evergreen Healthcare Product Online Store in the amount of RMB24,500 and as well as flyer printing (2,000 flyers at RMB2.8 per copy) for the total amount of RMB5,600.
- ✓ The cost for hiring business consultant – RMB17,500.
- ✓ Insurance (general liability, workers' compensation and property casualty) coverage at a total premium – RMB16,800.
- ✓ The cost for payment of rent for 12 months at RMB12.32 per square meters in the total amount of RMB527,100.
- ✓ The cost for facility remodeling (construction of racks and shelves) – RMB70,000.
- ✓ Other start-up expenses including stationery (RMB3,500) and phone and utility deposits (RMB17,500).
- ✓ Operational cost for the first 3 months (salaries of employees, payments of bills etc) – RMB420,000
- ✓ The cost for start-up inventory (stocking with a wide range of healthcare diet and supplements products) – RMB1,050,000
- ✓ The cost for store equipment (cash register, security, ventilation, signage) – RMB96,250
- ✓ The cost of purchase and installation of CCTVs – RMB35,000
- ✓ The cost for the purchase of furniture and gadgets (Computers, Printers, Telephone, TVs, Sound System, tables and chairs etc) – RMB28,000.
- ✓ The cost of launching a website – RMB4,200
- ✓ The cost for our opening party – RMB35,000
- ✓ Miscellaneous – RMB35,000
- ✓ We would need an estimate of RMB1,400,000 to successfully set up our healthcare diet and supplements store in our city.

5.2 Suggestion

5.2.1 Suggestions Regarding Business Diversification and Specialization

1. Our target market is those people who have various health problems due to high working and living pressure. With more and more types of health problems appearing and the demand of different treatments increasing, we need to enlarge our offering scopes to match the demand, instead of only concentrating on small offering scope.

2. According to the Theory of Diseconomies of Scale, namely, a firm' LRAC(long run average cost) increases as output increases, which, usually happens after the period of economies of scale, we decide not to choose diversifying our business to be involved with different industries, but only focusing on health-care related products, nor should we expand our business by acquisition or merger in the future. The ultimate reason is that we plan to ensure our business to be developed stably by keeping it less complex, with an easy-to-operate scale and scope. .

5.2.2 Suggestions Regarding Dealing with Potential Problems and New Threats

IT Technology Vulnerability We should acknowledge whether our opportunities are threatened by new IT and web technology or trends. For example, now many sites incorporate motion and sound into their ads, as well as placing ads within the body of articles or as interstitials. If competitors adopt more and newer technology or trends while we do not acknowledge or fail to adopt, we will become less competent.

Technology Adoption We need to identify if our target customers have the necessary technology to use and navigate our site. As defined in our executive summary, geographically, our target market is in our city and the surrounding areas, where are the most prosperous in China and network and internet are vastly used. However, we need to monitor the situations in other parts of China as we expect to expand geographically in the future.

Impacts of New Technology Moore's Law forecasts that the processing power of

successive generations of microchips will double every 1.5 years. We should identify how well and likely both online firms and customers will use new technology.

5.2.3 Suggestions Regarding the Sources of Generating the Capital

Evergreen Healthcare Products Online Store is owned and financed by Mr. Zhang and his immediate family members. We may not intend to welcome any external business partners which is why we have inclined to restrict the sourcing of the startup capital to 3 major sources.

- ✓ Source for soft loans from credible international financial institutions
- ✓ Source for soft loans from multinational development banks
- ✓ Apply for commercial loan from commercial banks.

N. B.: All the papers and documents will be signed and submitted, once the loan is approved and any moment from now our account will be ready for being credited with the amount.

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Biography

name-surname	Jingjing Zhang
Date of birth	
Place of birth	
Workplace	
Position	-
Education	MBA Southeast Asia University



CERTIFICATE

Multidisciplinary Challenges in Business, Education, Innovation and Advanced Social Intelligence Forward Era 6.0 in 3rd IC-RMUTK INTERNATIONAL CONFERENCE 2023 held on 30 April – 1 May 2023 at Rajamangala University of Technology, Bangkok, Thailand.

THIS IS TO CERTIFY THAT

Jingjing Zhang

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ASSOC.PROF.ARUS KONGRUNGCHOK, Ph.D.
Dean, International College RMUTK

SUPOT RATTANAPUN, Ph.D.
Vice Dean for Academic Affairs,
International College, RMUTK